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(Stock Code: 0017)

CONNECTED TRANSACTION

ACQUISITION OF THE REMAINING 51% INTEREST IN SILVERY YIELD DEVELOPMENT LIMITED

On 26 July 2019, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors and CTFE, pursuant to which (i) the Vendors agreed to sell and assign, and the Purchaser agreed to purchase the Sale Shares and accept the assignment of the Sale Loans at the total consideration of RMB4,010,000,000; and (ii) CTFE agreed to unconditionally and irrevocably guarantee to the Purchaser the due and punctual observance and performance of all obligations of the Vendors under the Agreement. The Target Group is principally engaged in the business of property development in Ningbo City, Zhejiang Province, the PRC.

Completion took place immediately after the signing of the Agreement. Upon Completion, the Target Company became an indirect wholly-owned subsidiary of the Company.

As at the date of this announcement, CTFE together with its subsidiaries hold approximately 44.36% of the total issued share capital of the Company. As the Vendors are wholly-owned by CTFE beneficially, each of the Vendors is a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Since more than one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 0.1% but all of them are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE AGREEMENT

Date

26 July 2019

Parties

- (1) Vendors: the First Vendor and the Second Vendor, which are wholly-owned by CTFE beneficially
- (2) Guarantor: CTFE
- (3) Purchaser: the Purchaser, an indirect wholly-owned subsidiary of the Company

Assets to be acquired

Pursuant to the terms of the Agreement, the First Vendor (in respect of the First Vendor Sale Shares and the First Vendor Sale Loan) and the Second Vendor (in respect of the Second Vendor Sale Shares and the Second Vendor Sale Loan) agreed to sell and assign, and the Purchaser agreed to purchase the Sale Shares and accept the assignment of the Sale Loans.

The Sale Shares represent 51% of the entire issued share capital of the Target Company.

The Sale Loans represent the entire unsecured and non-interest bearing shareholders' loans owing from the Target Company to the Vendors. As at the date of the Agreement and Completion, the Sale Loans amounted to HK\$3,452,742,000.

CTFE agreed to unconditionally and irrevocably guarantee to the Purchaser the due and punctual observance and performance of all obligations of the Vendors under the Agreement.

Consideration

The consideration is RMB4,010,000,000, comprising RMB971,587,000 as consideration for the acquisition of the Sale Shares and RMB3,038,413,000 as consideration for the assignment of the Sale Loans and shall be paid by the Purchaser to the Vendors in the manner as follows:

- (a) a sum of RMB802,000,000 (representing 20% of the consideration) was paid by the Purchaser to the Vendors upon Completion, of which RMB31,460,000 was paid to the First Vendor and RMB770,540,000 was paid to the Second Vendor; and
- (b) a sum of RMB3,208,000,000 (representing 80% of the consideration) will be paid by the Purchaser to the Vendors on or before 31 December 2019, of which RMB125,840,000 will be paid to the First Vendor and RMB3,082,160,000 will be paid to the Second Vendor.

The payments shall be made in HKD based on the Exchange Rate and in immediately available funds to the bank account(s) designated by the Vendors.

The consideration was determined after arm's length negotiation between the Vendors and the Purchaser with reference to the net asset value of the Target Group and the appraised value of the Properties based on the valuation report prepared by an independent professionally qualified valuer.

The consideration is and will be funded by the Group's internal resources.

Completion

Completion took place immediately after the signing of the Agreement. Upon Completion, the Target Company became an indirect wholly-owned subsidiary of the Company.

INFORMATION ON THE VENDORS, CTFE AND THE TARGET GROUP

Each of the Vendors is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company.

CTFE is a company incorporated in Hong Kong with limited liability. As at the date of this announcement, CTFE together with its subsidiaries hold approximately 44.36% of the total issued share capital of the Company. CTFE is principally engaged in investment holding.

The Target Company, a company incorporated in the British Virgin Islands with limited liability, is an investment holding company. The main assets of the Target Group are the Properties. The Target Group is principally engaged in the business of property development of the Properties which occupy a site area of approximately 100,000 sq m in the central business district of Sanjiangkou (Three Rivers Junction) in Ningbo City, Zhejiang Province, the PRC and are expected to provide a total gross floor area of 137,652 sq m for residential use (of which 127,692 sq m of the residential units were sold during pre-sale), 121,700 sq m for commercial use, 188,475 sq m for office use, 41,269 sq m for hotel use, 95,795 sq m for carpark and 231,808 sq m for ancillary facilities upon completion. The office buildings are undergoing main structure construction whereas the overall business proposal for a shopping mall has been approved by governmental departments.

As at 31 December 2018, the unaudited consolidated net asset value of the Target Company was approximately HK\$6 billion.

Set out below is a summary of the unaudited consolidated net profit or loss of the Target Company for the two years ended 30 June 2017 and 30 June 2018:

	For the year ended 30 June	
	2017	2018
	HK\$ million	HK\$ million
Net (loss) / profit before taxation and extraordinary items	(75.74)	270.07
Net (loss) / profit after taxation and extraordinary items	(75.74)	190.46

According to the information available to the First Vendor, the original acquisition costs of the First Vendor Sale Shares and the First Vendor Sale Loan to the First Vendor were approximately HK\$135.6 million.

According to the information available to the Second Vendor, the original acquisition costs of the Second Vendor Sale Shares and the Second Vendor Sale Loan to the Second Vendor were approximately HK\$3,246.6 million.

INFORMATION ON THE PURCHASER

The Purchaser is a company established under the laws of the British Virgin Islands and is an indirect wholly-owned subsidiary of the Company. The principal business activity of the Purchaser is investment holding.

INFORMATION ON THE GROUP

The Group is principally engaged in property development and investments in the areas of property, infrastructure, hotel operation, department store operation, commercial aircraft leasing, services and technology.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has proactively optimised its internal structure and timely reviewed its asset portfolio. In real estate business, the Group continues to strategically invest in key cities in the PRC and develop iconic projects with great potential, so as to provide a quality living environment and extraordinary experience for the market.

The Group believes that the conversion of selected projects from joint ventures to subsidiaries will help enhance the operational efficiency of the assets and is in line with the Group's development strategy of increasing recurring income contributions. The Directors consider that the Acquisition will enable the Group to obtain full management control over the Properties project which will enhance the efficiency in the management of the Properties project. The Group will fully utilise its strengths, ample resources and comprehensive commercial operating experience to turn the Properties project into an iconic landmark of smart commercial and residential complex for sale and investment purposes. The Directors consider that it is in the interests and to benefit of the Group that the Purchaser enters into the Agreement with a view to obtaining full potential benefit and returns from the Properties project.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition have been negotiated on an arm's length basis and are on normal commercial terms, in the ordinary course of business and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CTFE together with its subsidiaries hold approximately 44.36% of the total issued share capital of the Company. As the Vendors are wholly-owned by CTFE beneficially, each of the Vendors is a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Since more than one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 0.1% but all of them are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Dr. Cheng Kar-Shun, Henry, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Kar-Shing, Peter and Mr. Cheng Chi-Heng, each a Director, are also directors of CTFE. They and their associates, being Mr. Doo Wai-Hoi, William and Ms. Cheng Chi-Man Sonia, were not present at the meeting of the executive committee of the Board held for the approval of the Acquisition and accordingly they did not vote on the relevant resolution approving the Acquisition. Save as mentioned above, none of the other Directors has a material interest in the Acquisition.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Acquisition”	the acquisition of the Sale Shares and the Sale Loans by the Purchaser in accordance with the terms and conditions of the Agreement and the performance of the transactions contemplated under the Agreement
“Agreement”	the sale and purchase agreement dated 26 July 2019 entered into among the Vendors as vendors, CTFE as guarantor and the Purchaser as purchaser in respect of the Acquisition
“associate”	has the meaning ascribed to it in the Listing Rules
“Business Day”	a day on which banks are generally open for business in Hong Kong and the PRC and which is not a Saturday, a Sunday, a public holiday or a day on which typhoon signal no. 8 or a “black” rainstorm warning is hoisted in Hong Kong
“Board”	the board of Directors
“Company”	New World Development Company Limited (新世界發展有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 0017)
“Completion”	completion of the Acquisition
“connected person”	has the meaning ascribed to it in the Listing Rules
“CTFE”	Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong with limited liability and is a substantial shareholder of the Company
“Director(s)”	the director(s) of the Company

“Exchange Rate”	the exchange rate between RMB and HKD for the purpose of the Agreement, which shall be the arithmetic mean (rounded to four (4) decimal places) of the mid-point of the buy and sell exchange rates for converting RMB (offshore) to HKD as quoted by The Hongkong and Shanghai Banking Corporation Limited, Mizuho Bank, Ltd., Hong Kong Branch and DBS Bank Ltd., Hong Kong Branch at 10:00 a.m. (Hong Kong time) on the second Business Day immediately preceding the relevant date of payment. For the purpose of such rounding, round up if the number in the next place is 5 or greater, and round down for other cases
“First Vendor”	Praiseworthy International Limited, a company incorporated in the British Virgin Islands with limited liability and is the owner of the First Vendor Sale Shares and the First Vendor Sale Loan
“First Vendor Sale Loan”	the entire amount of the unsecured and non-interest bearing shareholder’s loan owing from the Target Company to the First Vendor as at the date of Completion, which amounted to HK\$135,535,000 as at the date of the Agreement and Completion
“First Vendor Sale Shares”	two shares of US\$1.00 each, representing 2% of the entire issued share capital of the Target Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the meaning ascribed to it in the Listing Rules
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Properties”	Ningbo New World Plaza, a property development which comprises residential, commercial, office, hotel and public amenities, located in the central business district of Sanjiangkou (Three Rivers Junction) in Ningbo City, Zhejiang Province, the PRC

“Purchaser”	Esteemed Sino Limited, a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loans”	the First Vendor Sale Loan and the Second Vendor Sale Loan
“Sale Shares”	the First Vendor Sale Shares and the Second Vendor Sale Shares
“Second Vendor”	Property Giant Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is the owner of the Second Vendor Sale Shares and the Second Vendor Sale Loan
“Second Vendor Sale Loan”	the entire amount of the unsecured and non-interest bearing shareholder’s loan owing from the Target Company to the Second Vendor as at the date of Completion, which amounted to HK\$3,317,207,000 as at the date of the Agreement and Completion
“Second Vendor Sale Shares”	forty-nine shares of US\$1.00 each, representing 49% of the entire issued share capital of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq m”	square metres
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“Target Company”	Silvery Yield Development Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiaries
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendors”	the First Vendor and the Second Vendor
“%”	per cent.

By order of the Board
Wong Man-Hoi
Company Secretary

Hong Kong, 26 July 2019

As at the date of this announcement, the Board comprises (a) seven executive Directors, namely Dr. Cheng Kar-Shun, Henry, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng, Ms. Cheng Chi-Man, Sonia, Mr. Au Tak-Cheong, Mr. Sitt Nam-Hoi and Mr. So Chung-Keung, Alfred; (b) three non-executive Directors, namely, Mr. Doo Wai-Hoi, William, Mr. Cheng Kar-Shing, Peter and Ms. Ki Man-Fung, Leonie; and (c) six independent non-executive Directors, namely Mr. Yeung Ping-Leung, Howard, Mr. Cha Mou-Sing, Payson (alternate Director to Mr. Cha Mou-Sing, Payson: Mr. Cha Mou-Zing, Victor), Mr. Ho Hau-Hay, Hamilton, Mr. Lee Luen-Wai, John, Mr. Liang Cheung-Biu, Thomas and Mr. Ip Yuk-Keung.